Canada's Nuclear Regulator

# Canadian Nuclear Safety Commission Quarterly Financial Report For the Quarter Ended June 30, 2013

August 2013

Canadian Nuclear Safety Commission | Commission canadienne de sûreté nucléaire

Canada

**Canadian Nuclear Safety Commission Quarterly Financial Report**
For the quarter ended June 30, 2013

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Canadian Nuclear Safety Commission
280 Slater Street
P.O. Box 1046, Station B
Ottawa, Ontario K1P 5S9
CANADA

Tel.: 613-995-5894 or 1-800-668-5284 (in Canada only)
Facsimile: 613-995-5086
Email: info@cnsc-ccsn.gc.ca
Web site: nuclearsafety.gc.ca
Facebook: facebook.com/CanadianNuclearSafetyCommission
YouTube: youtube.com/cnscccsn

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# Canadian Nuclear Safety Commission
# Statement Outlining Results, Risks and Significant Changes in Operations, Personnel and Program

## Introduction

This quarterly report has been prepared by management, as required by section 65.1 of the *Financial Administration Act*, and in the form and manner prescribed by the Treasury Board Secretariat. This quarterly report should be read in conjunction with the Main Estimates and Supplementary Estimates as well as *Canada's Economic Action Plan 2012* (Budget 2012).

The Canadian Nuclear Safety Commission (CNSC) is an independent regulatory agency and quasi-judicial administrative tribunal with jurisdiction over all nuclear-related activities and substances in Canada. Its responsibilities and authorities are to regulate the use of nuclear energy and materials, so that the health, safety and security of Canadians and the environment are protected, and to respect Canada's international commitments on the peaceful use of nuclear energy.

Further details on the CNSC's authority, mandate and program activities can be found in the *Reports on Plans and Priorities* and the Main Estimates.

### Basis of presentation

Management has prepared this quarterly report by using an expenditure basis of accounting, as opposed to an accrual basis. The accompanying Statement of Authorities includes the CNSC's spending authorities granted by Parliament and those used by the CNSC consistent with the Main Estimates and Supplementary Estimates for the 2012–13 and 2013–14 fiscal years. This quarterly report has been prepared as prescribed by the Treasury Board Secretariat to meet financial information needs with respect to the use of spending authorities.

As part of the Parliamentary business of supply, the Main Estimates must be tabled in Parliament on or before March 1, preceding the new fiscal year. Budget 2012 was tabled in Parliament on March 29 after the tabling of the Main Estimates on February 28, 2012. As a result the measures announced in Budget 2012 could not be reflected in the 2012–13 Main Estimates.

In fiscal year 2012–13, frozen allotments were established by Treasury Board authority in departmental votes to prohibit the spending of funds already identified as savings

measures in Budget 2012. In 2013–14, the changes to departmental authorities were reflected in the 2013–14 Main Estimates tabled in Parliament.

The authority of Parliament is required before monies can be spent by the Government. Approvals are given in the form of annually approved limits, through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

When Parliament is dissolved for the purposes of a general election, section 30 of the *Financial Administration Act* authorizes the Governor General, under certain conditions, to issue a special warrant authorizing the government to withdraw funds from the Consolidated Revenue Fund. A special warrant is deemed to be an appropriation for the fiscal year in which it is issued.

The CNSC uses the full accrual method of accounting to prepare and present its annual audited financial statements, which are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

**Funding of operations**

The CNSC is mainly funded from a revenue spending authority, allowing the cost recovery of activities through fees collected from industry. This budgetary statutory authority provides a sustainable and timely funding regime to address the rapid changes in the regulatory oversight workload associated with the Canadian nuclear industry.

The CNSC is also funded through an annual appropriation from Parliament. Regulations state that some licensees (such as hospitals and universities) are exempt from paying fees, as these entities exist for the public good. In addition, fees are not charged for activities that result from CNSC obligations that do not provide a direct benefit to identifiable licensees. These include activities with respect to Canada's international obligations (including the non-proliferation activities), public responsibilities such as emergency management and public information programs, and the updating of the *Nuclear Safety and Control Act* and associated regulations, as appropriate.

As such, the voted budgetary authorities include Vote 20 – program expenditures, while the budgetary statutory authorities are comprised of contributions to the employee benefit plans and expenditures pursuant to paragraph 29.1(1) of the *Financial Administration Act* (which the CNSC refers to as the revenue spending authority).

This quarterly report has not been subject to an external audit or review.

## Highlights of Fiscal Quarter and Fiscal Year to Date Results

### Authorities analysis

As reflected in the following authorities table, the CNSC has seen an increase of $7.5 million in total authorities available compared to the same quarter of the prior year. The $7.5 million is comprised of an increase of $6.2 million due to Vote 20 – program expenditures (including associated contributions to employee benefit plans) and a $1.3 million increase in revenue spending authority.

| Authorities<br>*(in thousands of dollars)* | 2013–14 | 2012–13 | Variance |
|---|---|---|---|
| **Vote 20 – program expenditures** | **34,977** | **29,302** | **5,675** |
| **Contributions to employee benefit plans** | **4,358** | **3,841** | **517** |
| **Expenditures pursuant to paragraph 29.1(1) of the *Financial Administration Act*** | **88,403** | **87,066** | **1,337** |
| **Total budgetary expenditures** | **127,738** | **120,209** | **7,529** |

***Vote 20 – Program expenditures***

The total appropriation increased by $6.2 million, or 18.7 percent, including contributions to employee benefit plans. The increase is due to:

- Budget 2012, which announced ongoing funding to continue to regulate and inspect fee-exempt licensees, such as medical and educational institutions, in the amount of $7.6 million
- the implementation of savings through the Deficit Reduction Action Plan, which reduces the CNSC's appropriation base by $1.3 million
- a $0.1 million adjustment, which reduces the CNSC's contribution to the employee benefit plans authority

***Expenditures pursuant to paragraph 29.1(1) of the* Financial Administration Act**

The CNSC revenue spending authority estimates are based on the CNSC's forecast of expenditures for the year for those activities subject to cost recovery fees. The CNSC revenue forecast for 2013–14 has increased slightly because projected costs for salaries and wages were adjusted to reflect the settlement reached on the collective agreement. However, this cost increase is partly offset by internal efficiencies and change in the operating status of some licensees.

### Expenditure analysis

The total program expenditures have increased quarter over quarter; a comparison of $32.4 million in the first quarter of 2013–14 to $26.1 million reported in the same period of 2012–13 shows a $6.3 million (or 24.1 percent) increase in spending.

#### *Budgetary expenditures by standard object*

The statement of budgetary expenditures by standard object shows that the overall spending of the CNSC has increased quarter over quarter. The increase from the first quarter of fiscal year 2012–13 to the same time period of fiscal year 2013–14 is mainly driven by expenses incurred following the ratification of collective agreement between the CNSC and its union NUREG announcing cost-of-living salary increases and the elimination of the accumulation of severance pay for voluntary departures. CNSC employees had the option to cash out their accumulation of severance pay. Payment from this option amounted to $4.3 million, while the increased salary base accounted for an additional $1.1 million in the first quarter of fiscal year 2013–14. The remaining variance is a result of the payment for facility rent, some office equipment purchases and contributions to First Nations, Inuit and Métis Associations, as well as non-profit local, provincial and national organizations.

## Risks and Uncertainties

The CNSC's Quarterly Financial Report reflects the results of the current fiscal period in relation to the Main Estimates and Supplementary Estimates for which Parliament has granted the authority.

Above all, the CNSC must ensure that it can continue to operate efficiently while providing regulatory oversight of Canada's nuclear industry. The CNSC is committed to ensuring the safety and security of all Canadian nuclear installations, overseeing nuclear processes used solely for peaceful purposes, and cementing public confidence in the nuclear regulatory regime's effectiveness.

The CNSC has identified the following internal and external risks that affect its objectives.

### Major project delays

In past years, the CNSC developed and implemented a recruitment strategy, in anticipation of new major nuclear projects advancing in Canada. The CNSC had to adjust its plans to respond to industry projections, such as delays in the announcement of a new nuclear power plant at Darlington, reduced uranium mining development due to economic downturn, the moratorium on uranium mining announced by the Quebec government, and activities further to the Fukushima nuclear incident. If other projects are

delayed or cancelled outright, regulatory activity levels as well as cost-recovery revenues could be further affected. The CNSC has initiated contingency plans to adapt to changes without compromising its capacity to meet its regulatory responsibilities.

**Unforeseen demands**

The CNSC also faces additional potentials challenges in the form of unforeseen demands (for example, the Fukushima nuclear accident in March 2011, and public concerns about the transport of steam generators through the Great Lakes that led to significant and unplanned public hearings in 2011). Such demands can draw upon the CNSC's financial and human resources otherwise allocated to planned regulatory activities. While the CNSC responds by revising plans and reallocating resources, it will continue to work to maximize efficiency in these instances.

## Significant Changes in Relation to Operations, Personnel and Programs

In 2012 the Government of Quebec announced the decommissioning of the Gentilly-II nuclear power reactor in Bécancour, Quebec. The reduction in regulatory oversight requirements associated with this shutdown decision and changes in other nuclear industry major project timelines has led the CNSC to conduct a comprehensive review of its short- and long-term planned regulatory activities. The review resulted in a reduction of $3.7 million of expenses in fiscal year 2013–14 and an additional $3.9 million of expenses in fiscal year 2014–15.

On July 6, 2012, the Government of Canada rescinded the *Canadian Environmental Assessment Act* (S.C. 1992, c.37) (CEAA) and replaced it with the *Canadian Environmental Assessment Act, 2012* (CEAA 2012), as part of its plan for Responsible Resource Development, which includes plans for the ongoing modernization of regulatory systems for major project reviews.

The CEAA 2012 and its regulations establish the legislative basis for the federal environmental assessment process. Under the new CEAA 2012, the CNSC is solely responsible for conducting environmental assessments for nuclear projects.

Aside from the CNSC being the sole responsible authority for nuclear projects, the conduct of the environmental assessment is identical and still includes mandatory public participation. Environmental assessments conducted in other provinces or jurisdictions will still be conducted in accordance with the federal–provincial/territorial environmental assessment co-operation agreements. Clarification provided by the CEAA 2012 over environmental assessment responsibilities and scope enhances the CNSC's ability to conduct standard environmental assessments for major economic projects. Requirements for incremental resources are not expected to grow as a result of this legislative change.

In fiscal year 2012–13, the Public Service Labour Relations Board rendered an arbitral award, subsequently approved by the Governor in Council, regarding the collective agreement between the CNSC and its union, the Nuclear Regulatory Group. The cost associated with the collective agreement is sourced from existing CNSC funding allocations, and financial impacts are included in the 2013–14 authorities and expenditure forecasts herein.

## Budget 2012 Implementation

This section provides an overview of the savings measures announced in Budget 2012 that have been implemented in order to refocus government and programs: make it easier for Canadians and business to deal with their government, and modernize and reduce the back office.

The CNSC will achieve Budget 2012 savings of $1.3 million by the end of fiscal year 2013–14. It will accomplish this through efficiency measures and program reductions that align resources to its core mandate, scaling back where need is reduced, transforming how it works internally, and consolidating and streamlining activities. With these changes, the CNSC will focus on supporting management excellence and accountability across Government.

In 2012–13, the first year of implementation, the CNSC achieved savings of $0.5 million. They are expected to increase, resulting in expenditure reductions of $1.3 million by 2013–14.

There are no financial risks or uncertainties related to these savings.

Approved by:

*Original signed by*

Stéphane Cyr
Chief Financial Officer

*August 21, 2013*

Date

*Original signed by*

Michael Binder
President

## Statement of Authorities

| *(in thousands of dollars)* | Fiscal year 2013–14 | | | Fiscal year 2012–13 | | |
|---|---|---|---|---|---|---|
| | Total available for use for the year ending March 31, 2014 * | Used during the quarter ended June 30, 2013 | Year to date used at quarter-end | Total available for use for the year ended March 31, 2013 *[1] | Used during the quarter ended June 30, 2012 | Year to date used at quarter-end |
| Vote 20 – program expenditures | 34,977 | 12,669 | 12,669 | 29,302 | 9,473 | 9,473 |
| **Budgetary statutory authorities** | | | | | | |
| Contribution to employee benefit plans | 4,358 | 1,089 | 1,089 | 3,841 | 960 | 960 |
| Expenditures pursuant to paragraph 29.1(1) of the *Financial Administration Act* | 88,403 | 18,612 | 18,612 | 87,066 | 15,652 | 15,652 |
| **Total budgetary authorities** | **127,738** | **32,370** | **32,370** | **120,209** | **26,085** | **26,085** |
| **Non-budgetary authorities** | - | - | - | - | - | - |
| **Total authorities** | **127,738** | **32,370** | **32,370** | **120,209** | **26,085** | **26,085** |

More information is available in the attached table.
* Includes only authorities available for use and granted by Parliament at quarter-end.
[1] Total available for use does not reflect measures announced in Budget 2012.

## Departmental Budgetary Expenditures by Standard Object

| *(in thousands of dollars)* | Fiscal year 2013–14 | | | Fiscal year 2012–13 | | |
|---|---|---|---|---|---|---|
| | Planned expenditures for the year ending March 31, 2014 * | Expended during the quarter ended June 30, 2013 | Year to date used at quarter-end | Planned expenditures for the year ending March 31, 2013 * [1] | Expended during the quarter ended June 30, 2012 | Year to date used at quarter-end |
| **Expenditures:** | | | | | | |
| Personnel | 90,792 | 27,089 | 27,089 | 92,560 | 21,685 | 21,685 |
| Transportation and communications | 6,170 | 1,042 | 1,042 | 4,671 | 969 | 969 |
| Information | 1,148 | 218 | 218 | 805 | 164 | 164 |
| Professional and special services | 18,155 | 2,047 | 2,047 | 10,990 | 1,954 | 1,954 |
| Rentals | 3,721 | 1,159 | 1,159 | 3,032 | 731 | 731 |
| Repair and maintenance | 2,011 | 53 | 53 | 2,799 | 40 | 40 |
| Utilities, materials and supplies | 1,212 | 104 | 104 | 957 | 162 | 162 |
| Acquisition of land, buildings and works | - | - | - | - | 7 | 7 |
| Acquisition of machinery and equipment | 2,519 | 353 | 353 | 2,520 | 80 | 80 |
| Transfer payments | 1,848 | 248 | 248 | 1,770 | 161 | 161 |
| Other subsidies and payments | 162 | 54 | 54 | 105 | 127 | 127 |
| Loans investment and advances | - | 3 | 3 | - | 5 | 5 |
| **Total gross budgetary expenditures** | **127,738** | **32,370** | **32,370** | **120,209** | **26,085** | **26,085** |
| **Total net budgetary expenditures** | **127,738** | **32,370** | **32,370** | **120,209** | **26,085** | **26,085** |

* Includes only authorities available for use and granted by Parliament at quarter-end.
[1] Total available for use does not reflect measures announced in *Budget* 2012.